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1. [redacted] the one thing Communist China wants above all others, economically speaking, is industrial development - especially development of heavy industry - and to have that it was necessary first for them to acquire capital goods. [redacted] the only way they could produce capital would be through labor intensification, and [redacted] labor could stand much more of a squeeze than it was already undergoing, without being choked to the point of diminishing return.
2. [redacted] there have been indications from both Communist China and elsewhere that [redacted] opinions need to be revised. The whole internal effort of the country appears to be centered on economic development, and it now appears that possibly the Chinese may succeed in producing the wherewithal to get the capital goods needed. This is not because of any economic bonanza but because of the absolutely ruthless way in which the government has gone after tradable products. For example, not only are they collectivizing the farm system but they are going so far as to enforce collection of grain itself, and nationalizing it and other farm products. It would appear that private enterprise is to be wiped out altogether.
3. Supposing that, through such methods as these, the Communists can come into possession of goods that can be bartered for capital, the question arises as to whether they can find markets for them, either behind the Iron Curtain or in front of it. In 1946, for example, China had an import-export trade amounting to about US\$ 1 billion, very little of which went to the USSR. Going back still farther, in 1935-37 21% of Chinese imports were capital goods, 36% intermediate products, and 43% consumer goods. At the same time

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their exports were 21% crude foods, 38% raw materials, 25% semi-manufactured goods (like egg products), and 16% finished goods, including some textiles. If we were to assume that today's annual import-export potential is also about US\$ 1 billion, with a breakdown about the same as for 1935-37, it would be seen that roughly half of Chinese imports would normally be in consumer goods; this the Communists do not want. What they do want is only capital and intermediate goods, for which probably the prewar amount of exports would be able to pay, i.e. they can probably export the 1/2 billion needed to pay for 1/2 billion in capital goods. Can they find markets?

4. There have been some indications that their efforts have produced at least some export products. Not long ago a Rome paper published statistics showing the availability in Europe of both tung oil and bristles. This leads to another question: can the USSR afford to let the Chinese build up their economy to the point of becoming not only strong at home but a world trader? As of now the Chinese are producing about two million tons of steel a year, probably in Shansi as well as Manchuria (Shansi iron ore has a higher metallic content and its coking coal is better). The Chinese want to reach a steel production rate of five million annual tons, but if they do, with other increases to match, they may become quite a problem for the Soviets.

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5. [REDACTED] there are two things the Chinese Communists are eager for beyond anything else: International trade and admission to the United Nations. And [REDACTED] these two factors will play very largely in everything they say and do both inside and outside the country for some time to come.

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